



**Testimony of AARP CT  
on H.B. No. 7155 AAC Consumer Protections for Customers of Electric Suppliers.**

**Energy and Technology Committee  
February 26, 2019  
Submitted by, John Erlingheuser, AARP Connecticut**

AARP is a nonpartisan, social mission organization with an age 50+ membership of nearly 38 million nationwide, and nearly 600,000 members here in Connecticut. AARP supports livable communities for all ages, aging in place initiatives and financial opportunity and resiliency for everyone as they work age and retire. We are before the General Assembly every year on a multitude of bills that support these issues.

AARP would like to commend the Public Utilities Regulatory Authority (PURA) for requesting the changes outlined in H.B. 7155 and to the committee for raising the bill. We would also like to thank PURA for all of the work they do to police the confusing nature of the third party electric supplier market as well as trying to rein in the unscrupulous practices of many of the suppliers.

AARP has worked in Connecticut for the last 15 years to correct the issues in the deregulated third party electric market place that has been frequently undermined by fraud, misleading advertising as well as unfair and unscrupulous practices of some of the third party electric supplies. This however has frequently resembled a game of whack-a-mole. For every confusing, bad or misleading supplier practice that AARP and other consumer advocates knock down through legislation or a PURA ruling, a new scheme or device pops up from the bad actors in the market.

I will give you just 2 of the many examples to demonstrate what I am talking about. When the electric customer's Bill of Rights was passed in 2014 that capped contract cancelation fees at \$50 to ensure that a person being taken advantage of could more easily switch to a fairer contract, suppliers created a new "market innovation". It's called an "enrollment fee". This fee would require a customer to pay a fee up front in order to get the best supplier offer for that company. Now if a customer prepays a fee up front and then was misled into making a bad deal, they are out those upfront costs that can be as high as \$200.

In 2015 AARP worked to ban variable rate electric contracts. This was as a result of suppliers defaulting customers, unbeknownst to many, into a variable rate contract when the initial contract term expired. Through the new law and a PURA ruling, a "variable rate" was defined as any rate that was less than 4 months. Then another billing scheme emerged. This was called a "fixed tiered contract". This is a contract that includes multiple 4-month tiers of rates over the course of a 1 or 2 year contract. Why is this problem? The initial tier or tiers may be a savings versus the Standard

Service at the time they enter into a contract, but not in the latter tiers. Standard offer electric rates are fixed for six months and regulated.

Despite Strong PURA Enforcement of consumer protections, consumer harm is still rampant. Below is a list of some Connecticut Regulatory Proceedings:

- A. Energy Plus: \$4.5M Settlement, PURA [Decision](#), June 11, 2014
- B. North American Power: \$2.6M Settlement, PURA [Decision](#), Oct. 28, 2015
- C. Public Power: \$13k Civil Penalty, PURA [Decision](#), Jan. 20, 2016
- D. Palmco Power: \$5M Settlement & 5-year Stay-out, PURA [Decision](#), Aug. 16, 2017
- E. Spark Energy, \$900k Civil Penalty (pending), PURA [Notice of Violation](#), Mar. 21, 2018
- F. Choice Energy: \$250k Civil Penalty, PURA [Decision](#), June 13, 2018
- G. Liberty Power: \$57,475 Civil Penalty, PURA [Decision](#), July 2, 2018
- H. Spark Energy, \$750k Civil Penalty (pending), PURA [Notice of Violation](#), Sept. 5, 2018
- I. Direct Energy: \$1.5M Civil Penalty (pending), PURA [Notice of Violation](#), Sept. 11, 2018
- J. Liberty Power: \$1.5M Civil Penalty (pending), PURA [Notice of Violation](#), Sept. 12, 2018

Enabling consumers to make electric supply buying choices based on timely and accurate information is crucial to maintaining a robust competitive market. That is why AARP worked in conjunction with the Office of Consumer Counsel to pass the legislation that required on-bill consumer protections that customers now benefit from, each month, when they receive their bill from the electric distribution companies. Those on-bill protections include spelling out the supplier rate and terms. It also requires a comparison with the standard offer service that shows whether you are paying more or saving money as compared to the Standard Service. Your current bill must also include what your next month's supplier rate is in order to know how much you will be charged prior to consuming the electric supply. All this is predicated on a third party supplier providing to the electric distribution companies, through PURA, the accurate information for the bills. Recent news stories have shown that some suppliers haven't even been able to provide that information in a timely and accurate way. Allowing third party electric suppliers to do their own billing and get out from under notification requirements, only would undermine the protections in place today.

AARP volunteers have created a community service program to make presentations on how the third party electric market works, how to decide if it is right for you, how best to navigate it and what your rights are if you decide it is your best option. Our volunteer team consistently finds that many participants in these presentations are unknowingly paying more supply with a third party.

Even if there were no bad actor suppliers in Connecticut's third party electric market, consumers usually end up losing overall. The market almost never allows ratepayers to make apples to apples contract comparisons. A typical supplier contract is usually no coterminous with the regulated stable standard offer. The standard offer ate, a rate that the utilities make not profit off of, is fix for 6 months at a time, from January to June and July to December. A third party electric supply

contract can be for any duration must be for a minimum of four month increments. When ratepayers are making contract choices based on today's information, it may be a deal at that moment in time. However the ratepayer is not empowered with the information to determine what the standard service rate will be during the outlying months of their contract. So today's deal can frequently be tomorrow's costly mistake that usually eats up any previous month's savings. In fact according to an analysis by the Office of the Consumer Counsel, Elin Katz, over the last three years ratepayers who selected third party suppliers versus the standard offer supply have spent over \$200 million more. Our volunteers would be happy to give members of the committee presentation to get a good understanding of what it takes to navigate the market as an average ratepayer.

Once again, while we commend the PURA and the committee for bringing forward the protections laid out in this bill, it is time to consider the fact that Connecticut has had to build a 10-foot wall of consumer protections around the deregulated electric market. Any public policy so beneficial that it needs a 10-foot wall must be analyzed for proof of the benefits it initially purported to bring us as ratepayers.

After nearly two decades of implementing legislative and regulatory policies, it is time to provide consumers with the ultimate protection from the confusing – often abusive and illegal – marketing tactics of third-party electric suppliers. We call for the end of the third-party residential electric market that economically harms consumers.

**Proposal: To end the residential retail choice electric market, while providing customers with renewable, efficiency, or time-based options through the electric distribution company.**

**Section 1.** (NEW) (*Effective from passage*) On or after October 1, 2019, no electric supplier shall execute a new contract to serve a residential customer with electric generation services; provided, however, that (i) any electric supplier that received certification from the Public Utilities Regulatory Authority as a Connecticut electric efficiency partner under section 16-243v on or prior to December 31, 2018, may continue to execute contracts with residential customers to provide electric generation services involving enhanced demand-side management technologies during the period where such supplier qualifies as a Connecticut electric efficiency partner and following that period; and (ii) an electric supplier may execute a contract with a residential customer arising from a community choice aggregation program that may be approved by the Public Utilities Regulatory Authority. Any violation of this section shall be subject to enforcement under section 16-245o(k).

Section 2. Subsection (b) of Section 16-244c of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(b) (1) Notwithstanding the provisions of this section regarding the procurement of electric generation services under standard service, section 16-244h or 16-245o, the Department of Energy and Environmental Protection ~~[may, from time to time,]~~ shall, on or before September 1, 2019, and from time to time thereafter, direct ~~[an]~~ each electric distribution company to offer~~[, through an electric supplier or electric suppliers,]~~ one or more alternative standard service options. Such alternative options shall include, but not be limited to, an option that consists of the provision of electric generation services that ~~[exceed the renewable portfolio standards established in section 16-245a]~~ contains 100% Class I renewable energy, and shall ~~[may]~~ include an option that utilizes strategies or technologies that reduce the overall consumption of electricity of the customer and an option that includes rates that fluctuate during three or more daily time periods with the goal of reducing the customer's usage during times of high electricity demand.

(2) (A) The authority shall develop such alternative option or options in a contested case conducted in accordance with the provisions of chapter 54. The authority shall determine the terms and conditions of such alternative option or options, including, but not limited to, (i) the minimum contract terms, including pricing, length and termination of the contract, and (ii) the minimum percentage of electricity derived from Class I, ~~[or]~~ Class II or Class III renewable energy sources, if applicable. ~~[The]~~ Each electric distribution company shall consult and cooperate with the procurement manager of the Public

Utilities Regulatory Authority to develop and implement a procurement plan for purchase of the products needed to serve each alternative standard service option approved by the Public Utilities Regulatory Authority. Each electric distribution company shall recover the actual net costs of procuring and providing electric generation services and other products necessary to serve each alternative standard service option.  
~~[, under the supervision of the authority, subsequently conduct a bidding process in order to solicit electric suppliers to provide such alternative option or options.~~

~~(B) The authority may reject some or all of the bids received pursuant to the bidding process.~~

~~(3) The authority may require an electric supplier to provide forms of assurance to satisfy the authority that the contracts resulting from the bidding process will be fulfilled.~~

~~(4) An electric supplier who fails to fulfill its contractual obligations resulting from this subdivision shall be subject to civil penalties, in accordance with the provisions of section 16-41, or the suspension or revocation of such supplier's license or a prohibition on the acceptance of new customers, following a hearing that is conducted as a contested case, in accordance with the provisions of chapter 54.]~~